



DEFENSE ACQUISITION UNIVERSITY
Business, Cost Estimating and Financial Management Department

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TEACHING NOTE

**PLANNING, PROGRAMMING, BUDGETING,
AND EXECUTION (PPBE) PROCESS**

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BACKGROUND:

The *Planning, Programming, Budgeting, and Execution (PPBE)* process is the Department of Defense (DoD) internal process used to allocate resources to capabilities deemed necessary to accomplish the Department's missions. One output of the PPBE process is the funding proposed to be included in the *President's Budget (PB)* submitted to Congress; the ultimate objective is to provide Combatant Commanders (COCOMs) with the optimal mix of forces, equipment, and support attainable within established fiscal constraints.

PPBE evolved from the Planning, Programming, and Budgeting System (PPBS), introduced into DoD in the early 1960's by Secretary of Defense (SECDEF) McNamara. PPBS established the framework and provided the mechanisms for resource driven decision making impacting the future and provided the opportunity to annually re-examine prior decisions in light of the existing environment at that particular time (e.g., evolving threat, changing economic conditions, etc.).

From initiation in the early 1960's until 2001, the basic PPBS process remained relatively stable with documentation and submissions of individual phases of Planning, Programming, and Budgeting being developed, and decisions made, in a sequential manner. In 2001, OSD changed the process to require a combined Programming/Budgeting phase with concurrent preparation and submission of the various Programming and Budgeting documentation and submissions, with corresponding decisions made almost in parallel to ensure coordination.

By a 22 May 2003 document (Management Initiative Decision 913), DEPSECDEF Wolfowitz made substantive changes to the previous PPBS. Among other changes, PPBS was renamed as the Planning, Programming, Budgeting, and Execution (PPBE) process. Adding "Execution" to the process was intended to give greater emphasis to the need to better manage *execution* of the budget authority provided by Congress in response to the DoD portion of the PB. This "execution" was to be more than simply ensuring obligation of the budget authority in a timely manner; it was to include an analysis of the comparison between what DoD said it would do with its appropriations and what it actually accomplished (i.e., outcomes achieved). Another significant change from PPBS was the decrease in the annual "re-visiting" of decisions made in the prior year programming and budgeting cycle (i.e., second year of the previous PB). The approach under the 2003 PPBE was to do a more thorough, but less frequent, analysis and matching of resources against requirements, and to continuously evaluate whether individual programs were providing the expected benefits (i.e., greater emphasis was to be given to the evaluation of performance outputs than to budgetary inputs). The intent of this approach was to drive improved upfront resource allocation decisions and combine a review of the effectiveness with which Congressional funding was used to accomplish the DoD assigned missions.

In April 2010, there were several major OSD-level decisions that further changed the PPBE process. One, by SECDEF Gates, requires “front-end assessments” (FEAs), early in the PPBE cycle, of the multiple capability areas that drive operational, force structure, and investments to better shape Pentagon decisions for the upcoming fiscal year. Another by the SECDEF was to combine two strategic planning documents into one document, the Defense Planning and Programming Guidance (DPPG). The other, by DEPSECDEF Lynn, returned the PPBE cycle to an annual process rather than the two-year cycle put into place in May 2003. Additional details of these changes – as well as others that might be made in this current fluid process – will be covered in later appropriate sections of this Teaching Note.

PROGRAM STRUCTURE

Future Years Defense Program (FYDP)

The vitality of the PPBE process is captured in the *Future Years Defense Program (FYDP)*, a computerized database that summarizes forces, resources, and equipment associated with all DoD programs approved by the SECDEF. It also summarizes the changes that have been approved from the last official update of the database. The FYDP displays – by fiscal year – total DoD resources and force structure information for the prior year, current year, a single budget year, and the following four years (i.e., the “outyears”). In addition, it includes force structure information for an additional three years beyond the four “outyears”. The FYDP is updated two times during the PPBE cycle: (1) upon submission of the Components’ combined *Program Objective Memorandum/Budget Estimate Submission (POM/BES)* (for calendar year 2010, the suspense date for that submission was 30 July 2010) and (2) in January of the following year to reflect the DoD portion of the PB that will be submitted to Congress the following month.

The FYDP is considered an internal DoD working document and is closely held within DoD. Since the FYDP outyear programs reflect internal planning assumptions, FYDP data beyond the budget year is not to be released outside the Executive Branch without permission of the SECDEF or Under Secretary of Defense (Comptroller) (USD(C)). However, in response to a 1987 law, DoD is required to provide Congressional oversight committees and the Congressional Budget Office, within 120 days of the PB submission, a special publication of the FYDP which includes procurement and RDT&E annexes displaying data for the prior, current, budget, and four out years. An exception to this submission was the FY 2010 PB, which provided data for FY 2010 only.

As shown on *Figure 1*, the FYDP is structured in three basic dimensions. For internal DoD management purposes, the FYDP is divided into 11 Major Force Programs (the first dimension). In its second dimension, the FYDP is arranged using the appropriation terminology in the PB and that is used by Congress to review the budget request and enact budget authority through the authorization and appropriation process. The third dimension displays resources by DoD Components (e.g., Services and Defense Agencies).

Future Years Defense Program (FYDP) Structure DoD Appropriations

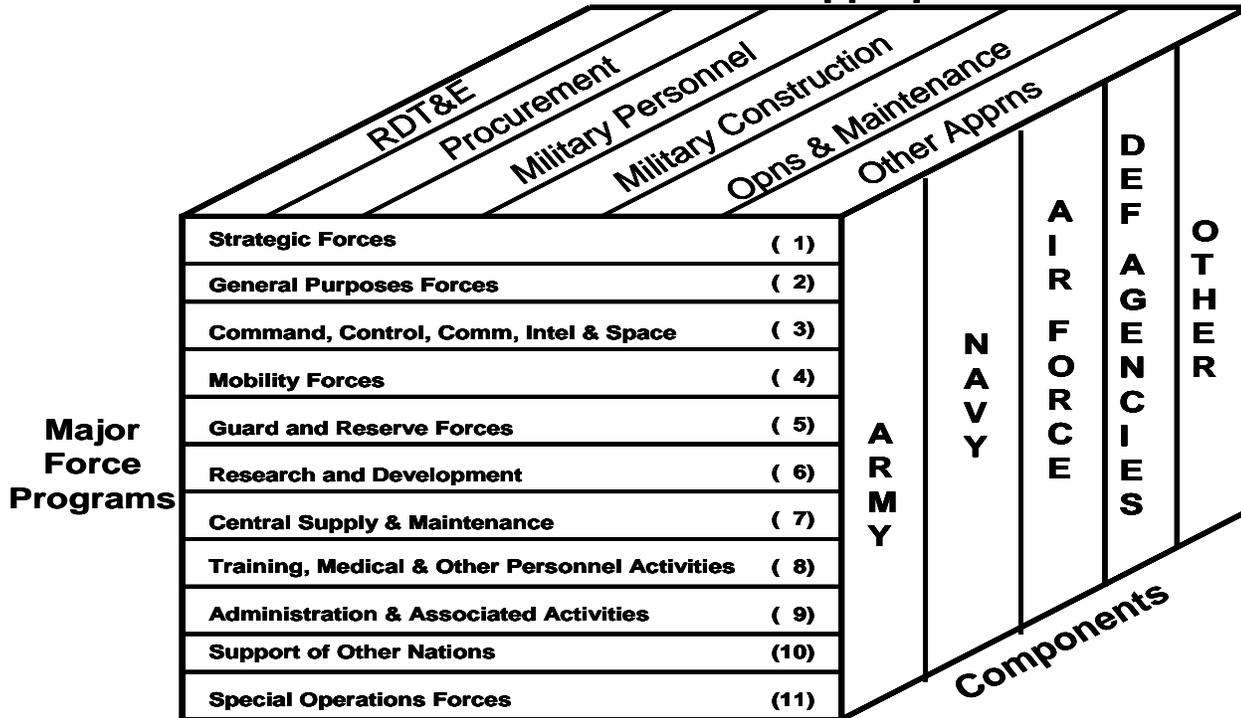


Figure 1

Major Force Programs

A *Major Force Program (MFP)* reflects a macro-level force mission or a support mission of DoD and contains the resources necessary to achieve a broad objective or plan. It reflects fiscal time-phasing of mission objectives and the means proposed for their accomplishment. Each MFP consists of a number of program elements, which is discussed in the next paragraph.

Program Elements

The *program element (PE)* is the primary data element in the FYDP and normally the smallest aggregation of resources controlled by the Office of the Secretary of Defense (OSD). It generally represents a collection of functional or organizational entities and their related resources. PEs are designed and quantified to be comprehensive and mutually exclusive. As the building blocks of the programming and budgeting system, PEs are continually reviewed to maintain proper visibility into the multitude of defense programs. They may be aggregated in a variety of ways:

- To display total resources assigned to a specific program
- To display weapons systems and support systems within a program
- To select specified resources
- To display logical groupings for analytical purposes
- To identify selected functional groupings of resources

The symbology of PEs consists of a seven-digit number with an alphabetical suffix that identifies a program, organization or office. The first two digits identify the MFP that contains the PE (e.g., the PE "0203123A" would indicate a program within MFP 2 - General Purpose Forces). The alphabetical suffix identifies the Service or Defense Agency that has cognizance over a particular program element. For example, "A" indicates an Army program, "F" an Air Force program, "N" a Navy program and "M" a Marine Corps program. This PE structure facilitates compilation of the FYDP for different purposes, such as an appropriation review. Further information can be found in DoD 7045.7-H, FYDP Structure Management Handbook (available at <http://www.dtic.mil/whs/directives/corres/pdf/704507h.pdf>). This Handbook is an extensive document (more than 2,000 pages) that contains the DoD program structure and definition of each MFP and PE approved by OSD.

Research and Development Categories

The previously mentioned Handbook ([DOD 7045.7H](#)) addresses the individual categories that make up **MFP 6 (Research and Development)**. This sub-division is intended to assist in the overall planning, programming, budgeting, and management of the numerous activities in research and development. The definitions below are applicable to MFP 6 and are not exactly the same definitions used in the DoD Financial Management Regulation (FMR) (DoD 7000.14-R), which address the RDT&E appropriation category. The FMR may be viewed at <http://comptroller.defense.gov/fmr/>. **Figure 2**, which follows, shows the relationship between MFP 6 categories and Budget Activities for the RDT&E appropriation.

Category 01 - Research includes all efforts of scientific study and experimentation directed toward increasing knowledge and understanding in physical, engineering, environmental, and life sciences related to long-term national security needs. It also provides farsighted, high payoff research, including critical enabling technologies that provide the basis for technological progress. It forms a part of the base for (a) subsequent exploratory and advanced developments in Defense-related technologies, and (b) new and improved military functional capabilities in areas such as communications, detection, tracking, surveillance, propulsion, mobility, guidance and control, navigation, energy conversion, materials and structures, and personnel support. PEs in this category would involve pre-Milestone A efforts. The DoD FMR refers to this as Budget Activity (BA)-1 and names it Basic Research.

Category 02 - Exploratory Development translates promising basic research into solutions for broadly defined military needs, short of major development projects. This type of effort may vary from fairly fundamental applied research to sophisticated hardware, study, programming, and planning efforts that establish the initial feasibility and practicality of proposed solutions to technological challenges. It includes studies, investigations, and non-system specific development efforts. The dominant characteristic of this category of effort is that it is pointed toward specific military needs with a view toward developing and evaluating the feasibility, practicality, and parameters of proposed solutions. Exploratory Development precedes the system specific research. PEs in this category would involve pre-Milestone A efforts. The FMR refers to this as BA-2, Applied Research.

Category 03 - Advanced Development includes all efforts that have moved into development and integration of hardware for field experiments and tests. Projects in this category have a direct relevance to identified military needs. Advanced Development is system specific (particularly for major platforms such as aircraft, ships, missiles, tanks, etc.) and includes advanced technology development that is used to demonstrate the general military utility or cost reduction potential of technology when applied to different types of military equipment or techniques. These efforts also include evaluation of synthetic environment and proof-of-principle demonstrations in field exercises to evaluate system upgrades or

provide new operational capabilities. Projects in this category do not necessarily have to lead to subsequent development or procurement phases. However, program/ budget justification must identify rough order of magnitude estimates of potential additional development and production costs consistent with DoD's full funding policy. PEs in this category would involve pre-Milestone A efforts. The FMR refers to this as BA-3, Advanced Technology Development.

Category 04 - Demonstration/Validation includes all efforts necessary to evaluate integrated technologies in as realistic an operating environment as possible to assess the performance or cost reduction potential of advanced technology. This category is system specific and also includes advanced technology demonstrations that help expedite technology transition from the laboratory to operational use. A logical progression of program phases and funding (development and/or production) must be evident. PEs in this category involve efforts between Milestone A and Milestone B. The FMR refers to this as BA-4, Advanced Component Development and Prototypes.

Category 05 - Engineering Development includes those projects in engineering and manufacturing development for Service use which have not yet received approval for full-rate production. This area is characterized by major line item projects. Engineering Development includes engineering and manufacturing development projects. PEs in this category would involve efforts between Milestone B and Milestone C. The FMR refers to this as BA-5, System Development and Demonstration.

Category 06 – Management and Support includes research and development efforts directed toward support of installations or operations required for general research and development use. Test ranges, military construction and maintenance support of laboratories, operations and maintenance of test aircraft and ships, and studies and analyses in support of the R&D program are included in this category. Costs of laboratory personnel, either in-house or contractor-operated, would be assigned to appropriate projects or as a line item in the *Research, Exploratory Development, or Advanced Development* categories as appropriate. Military construction costs directly related to a major development program will be included in the appropriate element. The FMR refers to this as BA-6, RDT&E Management Support.

Although all of the above MFP 6 categories are funded with RDT&E appropriations, not all RDT&E spending is included in MFP 6. Specifically, BA-7 (Operational Systems Development) addresses RDT&E funds used for the development, engineering, and testing of systems already approved for production (i.e., upgrades to vehicles, weapons, etc.). Although these activities are funded from the RDT&E appropriation, the PE is linked to the MFP of the system being modified or tested rather than to the R&D MFP (e.g., MFP 1 would be used if a strategic system were being modified, not MFP 6).

**Major Force Program 6– Research and Development
Relationship Between R&D Categories of MFP 6 and
Budget Activities of RDT&E Appropriation**

R&D Cat. NR.*	R&D Title*	R&D Purpose*	BA NR.**	BA Title**	Where Funds Are Used	Where Funds Managed
01	Research	Expand Knowledge; Studies; Experiments	BA-1	Basic Research	Labs; Universities	R&D Commands; Services HQ
02	Exploratory Development	Develop & Evaluate Technical Feasibility	BA-2	Applied Research	Labs; Universities; Contractors	R&D Comands; Services HQ
03	Advanced Development	Proof of Concept/ Brass boards	BA-3	Adv Tech Development	Labs; Field Activities; Contractors	R&D Commands; Services HQ
04	Demonstration/ Validation	Specific Weapon Systems	BA-4	Adv Component Devel and Prototypes	Labs; Contractors	PMO
05	Engineering Development	Prototype/ EMD Projects	BA-5	System Devel and Demo	Contractors; Field Activities	PMO
06	Management and Support	Support of Test Ranges, Labs, Studies & Analyses	BA-6	RDT&E Mgmt Support	Test Ranges	R&D Commands; Services HQ
N/A	No R&D	counterpart	BA-7	Operational System Devel	Contractors; Field Activities	PMO (Funding is RDT&E but activity not always MFP 6)

* Refers to DoD 7045.7 -H (FYDP Structure Management Handbook, dated April 2004)

** Refers to DoD 7000.14-R (DoD Financial Management Regulation, Volume 2B, Chapter 5, dated 1 December 2010)

Figure 2

One result of the PE structure is that an acquisition program may exist in multiple PEs and have funding in several appropriations during its life cycle; this is illustrated in *Figure 3*.

Multiple Program Elements and Appropriations Program XYZ						
	FY 1	FY 2	FY 3	FY 4	FY 5	FY 6
PE 060nnnnF						
RDT&E	\$\$\$	\$\$	\$			
PE 010nnnnF						
Aircraft Procurement			\$\$\$	\$\$\$	\$\$\$	\$\$\$
MILCON	\$	\$\$	\$\$\$			
O&M				\$	\$\$	\$\$\$
MILPERS			\$	\$\$	\$\$\$	\$\$\$

Figure 3

OVERVIEW OF THE PPBE PROCESS

Because the PPBE process is calendar-driven (i.e., there is a requirement that by a specified date a specified action must be accomplished, a specified event must occur, or a specified decision must be made), it is appropriate to view those required actions, events and decisions along a timeline. However, because some DoD appropriations are active (i.e., currently available for new obligations) for several fiscal years rather than for just a single fiscal year, and those required activities, actions, events and decisions overlap among fiscal years and calendar years, the timeline must be able to accommodate multiple fiscal years as well as those multiple events and activities that occur during those years.

The “Resource Allocation Process – Overlap” chart at Figure 4 shows the relationship between what is happening (i.e., status of actions, events and decisions) in multiple fiscal years and when those things should occur (i.e., the calendar year). The primary purpose of the chart is to provide a guide to determine when a specific aspect of planning, programming/budgeting, execution or Congressional enactment on the PB is occurring any time during a three calendar year period. There are three calendar years across the top and five fiscal years along the left side of the chart. Inside the chart are the events, activities, and decisions that occur during each of the five fiscal years. This chart is designed to give maximum flexibility for use during the three calendar years shown across the top of the figure. There is, however, an important **limitation** to the use of the overlap chart: that pertaining to the “where” those events, activities, and decisions occur. All actions inside the chart occur at/between/among Headquarters of the Military Departments, Defense Agencies, OSD, and Congress (i.e., consider these as “Washington” actions). The overlap chart does not necessarily indicate the “when” actions occur at the Major Command or Program Office level, although there may be some concurrency of actions at those levels and at higher command levels. Program Offices would normally provide input for programming and budgeting requests to their respective Service Headquarters or Defense Agency several months before the headquarters/agency submits its programming and budgeting request to OSD. To determine times of resourcing activities, go to the top calendar months to determine “time now” or a specific month of interest. The fiscal years shown on the left side of figure 4 represents the fiscal year of the appropriation. The activities conducted at that time for those fiscal years shown are described in the horizontal bars.

Resource Allocation Process Overlap

	CY10												CY11												CY12											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
FY10	Execution						2nd Yr						3rd Yr																							
	FY 10 and prior																																			
FY11	Enactment						Execution						2nd Yr						3rd Yr																	
	FY 11												FY 11 and prior																							
FY12	Planning / Program/Budgeting						Enactment						Execution						2nd																	
	FY 12-16 DPPG						FY 12-16 POM FY 12 BES						FY 12						FY 12 and prior																	
FY13	Planning						Program/Budgeting						Enactment						Exec																	
	FY 13-17 DPPG						FY 13-17 POM FY 13 BES						FY 13						FY13 & prior																	
FY14	Planning						Program/Budgeting						FY 14-18 DPPG						FY 14-18 POM FY 14 BES																	
DPPG – Defense Planning & Programming Guidance												PB – President’s Budget																								
POM – Program Objectives Memorandum												BES – Budget Estimate Submission																								

Figure 4

Annual Cycle VS Biennial Cycle

As previously stated, during April 2010 the Secretary and Deputy Secretary of Defense made several decisions that impacted the PPBE process for actions and decisions relative to resource management during calendar year 2010 and are anticipated to have similar impact on the follow-on calendar years. Probably the most significant change made to the overall PPBE process when compared to the process used between 2003 and 2009 is the return to an *annual* cycle in lieu of a *biennial* cycle (i.e., conducted every two years). The biennial cycle was consistent with the Congressional requirement that DoD include a two year budget request (e.g., FY08 and FY09) in the President’s Budget of an even number fiscal year (e.g., FY08) and to only update the second year of the previous two year budget request in the PB of the following year (e.g., FY09). That requirement was contained in the DoD Authorization Act of 1986 [PL 99-134, Section 1405]. However, in the DoD Authorization Act of 2008 [PL 110-181, Section 1006], Congress repealed the requirement for a DoD two year budget submission. Lack of a legal requirement for DoD to submit a two year budget was probably a contributing factor to return to the annual PPBE cycle,. The annual cycle will also enable the Components, OJCS and OSD to conduct a more timely analysis of the capability areas that drive operational, force structure, and investment requirements. Budget requests are based on the need to provide resources to satisfy the highest priorities of capabilities needed to accomplish missions and an annual review of the relative priorities tends to achieve a more effective application of available funds to provide those capabilities.

Annual Cycle:

Front End Assessments

Another significant change to the PPBE process is the institution of a new analytic effort to be done during the summer and fall – that of a “front-end assessment” (FEA) of the multiple capability areas for which resource requirements will ultimately be identified during the programming and budgeting process. The basic concept is that these new FEAs, which are to be conducted earlier in the PPBE process than previous similar type analysis with follow-on guidance (i.e., perhaps some assessments will be completed prior to submission of Components’ POM/BES) will result in more efficient and effective allocation of resources to satisfy the highest priority capability areas.

Because specific details of the new PPBE process are still evolving even while the process is being implemented – or perhaps because it is still evolving – OSD has not published and disseminated formal guidance describing details of the process. Notwithstanding the lack of formal guidance, however, the authors of this teaching note believe it necessary for academic purposes to describe our best understanding of the new PPBE process at this time.

PLANNING

Planning is the first step in the DoD resource allocation process (shown in *Figure 5*) and is accomplished by almost parallel actions by the civilian side of OSD (USD Policy) and the military side (led by Joint Chiefs of Staff [JCS] with participation of the Services and COCOMs). Although USD (Policy) is the official lead for the Planning Phase of PPBE, the Chairman of the Joint Chiefs of Staff (CJCS) plays a significant role in the process. This phase begins with issuance of the *National Security Strategy (NSS)* (which includes input from multiple federal level agencies that defines specific national-level strategic outcomes that must be achieved and/or are further refined in the SECDEF’s National Defense Strategy (NDS) and the CJCS’s National Military Strategy (NMS)..

PPBE – Planning Phase

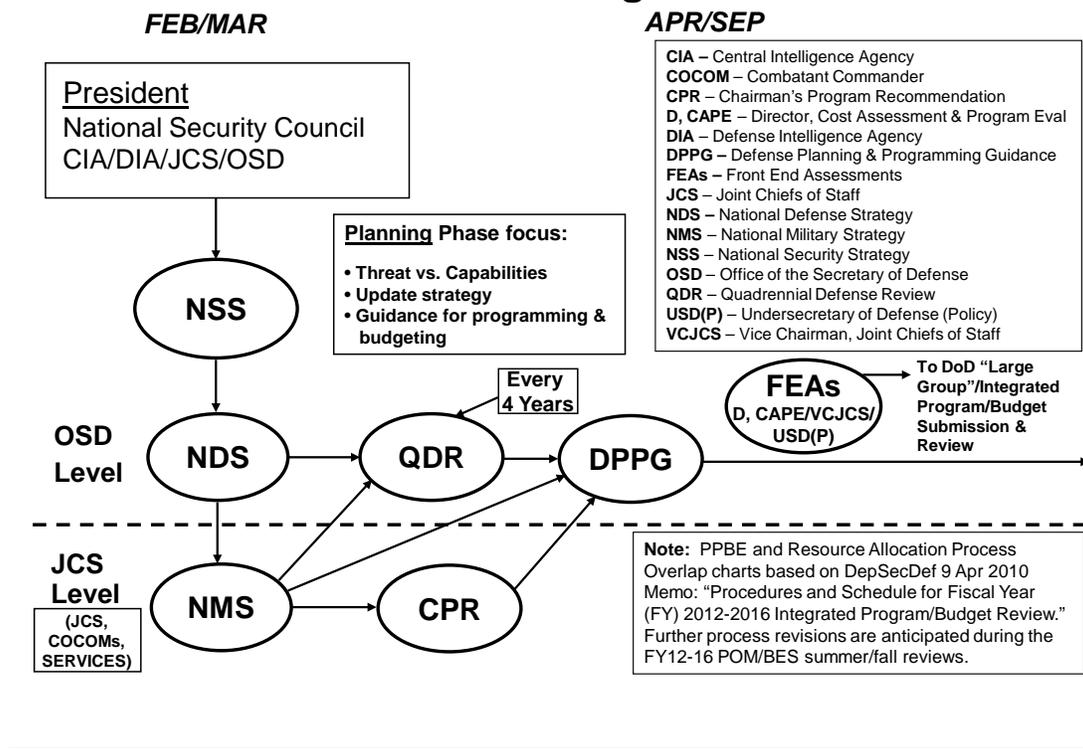


Figure 5

The first activity in the Planning Phase of PPBE is a review of previous guidance and the most current NSS. This review also examines the evolution in required capabilities and changes in military strategy and policy as documented in the *National Defense Strategy (NDS)* issued by the SECDEF. The NDS provides strategic guidance on the priority of defense missions and associated strategic goals. The review also includes the *National Military Strategy (NMS)* issued by the CJCS. The NMS provides strategic direction on how the Joint Force should align the military ends, ways, means, and risks consistent with the goals established in the *NDS*. *Both the NDS and the NMS should be in compliance with the goals and objectives of the NSS*. The Planning Phase also includes a review and analysis of the OSD *Quadrennial Defense Review (QDR)*; the most recent was submitted to Congress in February 2010. The QDR provides the results of a comprehensive examination of potential threats, strategy, force structure, readiness posture, modernization programs, infrastructure, and information operations and intelligence. All of the previously mentioned documents provide strategy-based planning and broad programming advice for the preparation of the **Defense Planning and Programming Guidance (DPPG)** which depicts a combined long term view of the security environment and helps shape the investment blueprint for the five POM years,

In an implementing Department of Defense Directive (DoDD), the Capability Portfolio Managers (CPMs) are charged with developing capability portfolio planning guidance and programming, budgeting, and acquisition advice. The overall role of CPMs is to manage assigned portfolios by integrating, coordinating, and synchronizing programs to optimize capability within time and budget constraints.

The JCS-level Joint Requirements Oversight Council (JROC), along with the Joint Staff, assists the CJCS in identifying and assessing the priority of joint requirements, studying alternatives, and ensuring priorities conform to and reflect resource levels projected by the SECDEF. Within the Planning Phase, the JROC provides suggested issues and recommendations for the *Chairman's Program Recommendation (CPR)*, which is intended to influence the DPPG. The CPR provides the CJCS's program recommendations that are intended to enhance joint readiness, promote joint doctrine and training, and satisfy warfighting requirements. Overall JCS participation in the planning phase is governed by the *Joint Strategic Planning System (JSPS)*, CJCS Instruction (3100.01), and CJCSI 8501.01A, which addresses participation by the CJCS, the COCOMs, and the Joint Staff in the DoD PPBE process.

In general, the Planning Phase identifies the capabilities required to deter and defeat threats and defines for the upcoming Programming Phase national defense policies, objectives, strategy, and guidance for resources and force requirements to meet the capabilities and objectives. The Planning Phase begins about three years in advance of the first fiscal year for which budget authority will be requested in the President's Budget; for example, the planning to support the FY12 budget request began in the early part of calendar year 2009. The Planning Phase ends with the issuance of the *DPPG* which is prepared by the OSD Director of CAPE and released by the SECDEF. The DPPG sets specific fiscal controls and directed explicit program actions for each Military Department and Defense Agency.

PROGRAMMING

The purpose of the Programming Phase is to allocate resources to support the roles and missions of the Military Departments (i.e., Army, Air Force, and Navy and Marines) and Defense Agencies. During the Programming Phase, previous planning decisions, OSD programming guidance contained in the DPPG, and Congressional guidance are translated into detailed allocations of time-phased resource requirements which included forces, personnel, and funds. This is accomplished through systematic review and approval processes that "cost out" force objectives and personnel resources in financial terms for five years into the future. This process gives the SECDEF and the President an idea of the impact that present day decisions will have on the future defense posture. The OSD Director, CAPE is responsible for overall coordination of the Programming Phase and is considered the official lead for this phase of PPBE.

Program Development

In July/August timeframe, each Component (Military Department and Defense Agency) submits a combined POM/BES to SECDEF. The POM/BES covers the 5-year FYDP and presents the Component's proposal for a balanced allocation of available resources within specified constraints to satisfy the DPPG. Significant force structure and end-strength changes, as well as major system new starts must be identified. Program imbalances and shortfalls in meeting DPPG and war fighter objectives are also to be highlighted.

Program Review and Decisions

After submission of the combined POM/BES (see *Figure 6*), the Joint Staff, JROC, and CPMs conduct a review of the POM portion of the Military Departments', Components', and Defense Agencies' submissions to assess how they have conformed to the priorities and resource constraints

addressed in the DPPG, NMS, and the QDR. The results of the Joint Staff and JROC reviews are included in the *Chairman's Program Assessment (CPA)*, which is issued during the Fall and which may include alternative program recommendations and budget proposals to achieve greater conformity with the stipulated priorities. The CPMs' assessments are submitted to the Deputy's Advisory Working Group (DAWG) chaired by the DEPSECDEF. The CPMs may outline alternative investment recommendations to those submitted in the POMs.

Concurrent with the Joint Staff review of the POM portion of the POM/BES, program analysts in the Director, CAPE office conduct a detailed review of the Services' and Defense Agencies' POM submissions and make program change recommendations through POM *Issue Papers*. These documents define specific issues to be reviewed by comparing the proposed program to the objectives and requirements established in the DPPG. The Issue Papers present alternatives and evaluate the implications of each alternative, including cost and personnel changes. The Services, Joint Staff, and OSD directorates may comment on – *reclama* – the recommendations contained in the POM Issue Papers, to include providing justification supporting the original POM submission.

During the October and November timeframe, the DEPSECDEF issues to the Military Departments and Defense Agencies one or more *Resource Management Decisions (RMDs)*, which summarizes the program decisions in the current cycle. These RMDs approve, with the indicated changes, the Service/Agency POMs. Resource Management Decision (RMD) documents are now issued in lieu of PDMs and Program Budget Decisions (PBDs) (see further discussion, below).

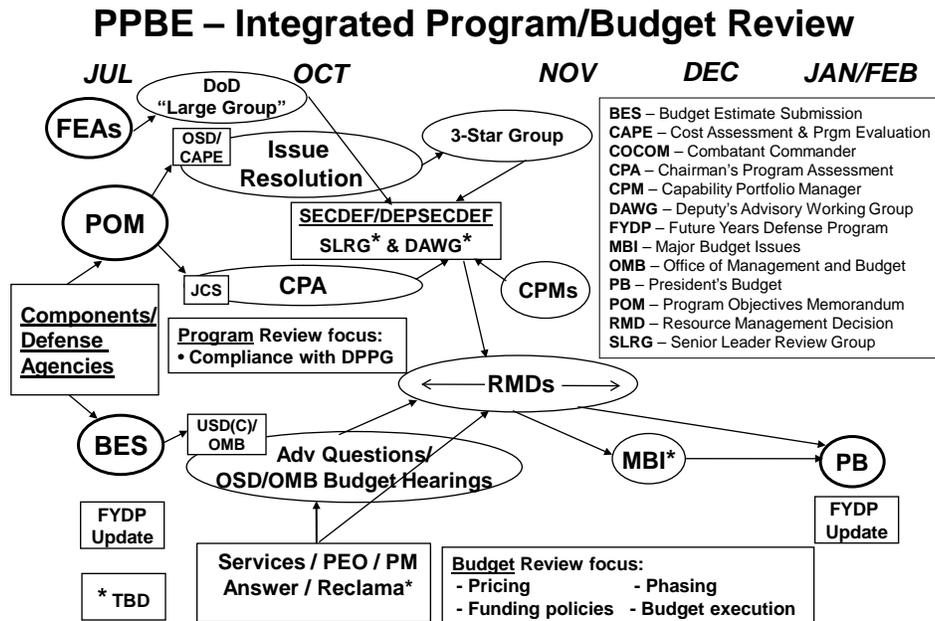


Figure 6

BUDGETING

The USD (Comptroller) is responsible for overall coordination of the Budgeting Phase and is considered the official lead for the Budgeting phase of PPBE. The Budgeting Phase occurs concurrently with the Programming Phase. After submission of the combined POM/BES (see **Figure 6**), budget analysts in the USD(C) office and budget examiners from OMB conduct a review of the BES portion of the Components' submission. [Per agreement between OSD and OMB, senior budget examiners from OMB participate in the DoD budget review process at this point to preclude the necessity of OSD submitting the Defense Budget to OMB for a separate review prior to it being integrated into the PB as is required for all other federal agencies.] The Comptroller and OMB emphasis during this review is on proper budget justification and execution; however, the analysts and examiners also consider program alternatives being developed on the programming side. OSD decisions pertaining to program issues (i.e., RMDs issued during the concurrent POM/BES review) must also be incorporated into other OSD decisions being made during the Budgeting Phase. The concurrent review of a combined POM/BES from the various Components – rather than sequential reviews of the POM and BES by the different elements at the OSD level – is considered to be more efficient because the same or similar issues addressed in the POM review need not be revisited in the BES review process.

The product of this review and decision process will become the Defense portion of the PB. Continuing a practice that began with the FY 1988 budget submission to Congress, DoD then submits an annual budget to Congress.

Budget Process

Prior to submission of the combined POM/BES to OSD, operational organizations and field activities such as program offices begin developing their individual budgets as a prelude to the headquarters' call for budget estimates. This development action may begin as early as mid-fall prior to submitting their budget estimates to the Service Headquarters in early spring. The Services each conduct a budget review. The reviews give the Services an opportunity to internally address budget display/justification problems before submitting the combined POM/BES to OSD in July. The Services are generally trying to put together a balanced funding request that complies with published fiscal constraints. The combined POM/BES must also include adjustments for pay (military and civilian) and for any pricing policies developed between OSD and OMB. The FYDP is updated at the POM/BES submission.

OSD Budget Review

As previously mentioned, budget analysts from USD(C) and budget examiners from OMB normally conduct a joint review of the POM/BES from August to early December. OMB retains the authority to submit separate review decisions, but in practice, rarely does. The USD(C) budget analysts may issue **advance questions** to obtain written responses from the program offices and/or Components. After reviewing these responses, the budget analysts may conduct hearings to review appropriations or specific programs (although this is not a formal requirement). Appropriate Service functional staff and OSD program advocates provide information as necessary during those hearings. During the review, the budget analysts examine the BES from each Service and Defense Agency to assess conformity with other higher level guidance.

Four of the areas considered by the USD(C) budget analysts and OMB budget examiners as principal issue areas during the review and “scrub” of the Services' and Agencies' budget submissions include : **program pricing, program phasing, funding policies, and budget execution.**

Program pricing - Examines whether the specific program has been properly priced (e.g., that the budget was prepared on the basis of “most likely cost” of the work to be done and that the proper escalation index has been applied to the constant-year budget estimate to determine the then-year funding requirement).

Program phasing - Examines the compatibility between the approved acquisition strategy and the funding necessary to pay for the requirements shown in that strategy (e.g., have Procurement funds been phased properly to coincide with program plans for contract awards).

Funding policies - Examines the compliance of the budget request with the proper funding policy for each appropriation category being requested (e.g., RDT&E has been budgeted on an incremental basis; Procurement and MILCON on a full funding basis; and O&M and MILPERS on an annual basis).

Budget execution – Examines the efficiency with which the organization has executed (i.e., obligated and expended) currently available funds, and the effect of current year execution on budget year submissions. As an example, has the organization met established goals for obligations and expenditures during the current fiscal year? If not, can those “excess” funds from the current fiscal year be allowed to slip/roll into a future year, allowing for a decrease in the funding requirement in the future year?

Of these four budget review issues, budget execution is the primary focus during this portion of the process. This focus on execution is intended to ensure that the limited funding available for a given fiscal year is used to satisfy as many requirements as possible.

Resource Management Decisions (RMDs)

For the FY10, FY11-15 cycles, and the FY 12-16 cycles, Resource Management Decisions (RMDs) signed by the DEPSECDEF were issued in place of PDMs and PBDs. Per the SECDEF’s direction, the issues and decisions previously addressed in the POM reviews and BES reviews and documented in two separate documents were combined into a single document with two separate sections addressing programming and budgeting; this approach significantly reduced the number of decision documents. In addition, because of the extensive POM and BES issue deliberations within and between the various senior leadership groups within the DoD (i.e. 3-Star Programmers, Deputy’s Advisory Working Group (DAWG), Senior Leader Review Group (SLRG)) prior to the issuance of an RMD, the SECDEF has tried to limit the use of the Major Budget Issue (MBI) process.

Following a thorough review of the POM/BES , questions/answers from the OSD/OMB budget hearings and the review of issues/recommendations coming from the Programming review, a series of RMDs are issued. These RMDs for the FY 12-16 FYDP review were broken down into three distinct chapters within the RMD: Budgeting (prepared by USD(C)); Programming (prepared by USD CAPE); and Economics/other. Decisions/changes to the POM/BES, based on these three areas of review are reflected in the RMDs.

In the past a draft PBD/PDM would be issued to the Services and Components for review and/or to reclama. Using the RMD process in the FY 12-16 review, the Services and Components were only given an opportunity to comment on a selected list of issues. They were not given the opportunity to reclama the actual RMDs. The RMDs were signed by the SECDEF and became the final decision documents to the FY12-16 PPBE review process.

President's Budget (PB)

The Services revise their budgets to incorporate the decisions from the concurrent program and budget review process (signed RMDs) for inclusion in the PB. After a “top line” meeting between the SECDEF, Director of OMB and the President, the PB is finalized in early January and submitted through OMB for consolidation with budget requests from all other federal agencies to Congress no later than the first Monday in February. The FYDP is also updated to reflect the PB. These actions end the Budgeting Phase of PPBE and begin the Congressional Enactment process.

Key Documentation

As part of the justification for the budget request contained in the PB submitted to Congress, the Services provide *budget exhibits* to USD(C) and to the DoD oversight committees of Congress. Some of the exhibits of interest to acquisition program personnel include:

- The R-1 document, which provides a breakout of all RDT&E appropriations by PE. The R-1 displays each program’s title, budget activity, and dollars for the prior, current, and budget year. The R-1 also includes DoD component summaries by appropriation, budget activity, and MFP.
- Additional R-Forms greatly expand on the narrative and numerical detail in the R-1 document. Various R-forms include: a mission description and justification; program accomplishments and plans; an eight-year funding profile, and cost to completion; funding changes since the last PB; funding from other appropriations; a schedule of major acquisition and testing milestones; program cost detail by work breakdown structure (WBS); and contracting data for development, support, and testing.
- The P-1 document, which provides a breakout of all procurement appropriations by line item. The P-1 shows each program’s title, unit cost, quantities and dollars for the prior, current, and budget year. The P-1 also includes DoD component summaries by appropriation and budget activity.
- P-Forms, or procurement exhibits, are prepared to support the transition from the Service POM to the Service budget for all procurement programs. P-forms provide detailed program information reflected in the FYDP.

The exhibits described above reflect the overall status of a weapon system program. They inform OSD and the Congress of the progress and problems in program execution, schedule, and cost projections. DoD Regulation 7000.14-R, Financial Management Regulation, Volume 2, provides the basic guidance for the documentation. Program managers should also consult Service-specific instructions and guidance for preparing these documents. Further information on these budget exhibits may be found in the Teaching Note of that title.

EXECUTION REVIEW

The final activity in the PPBE process is the Execution Review, which occurs concurrently with the Program and Budget reviews. The purpose of the Program Review is to prioritize the programs which best meet military strategy needs; the purpose of the Budget Review is to decide how much to spend on each of these programs; and the purpose of the Execution Review is to assess what is received for the money spent (i.e., actual output versus planned performance). Performance metrics are developed and used to measure program achievements and attainment of performance goals. These metrics will be analyzed to ascertain whether resources have been appropriately allocated.

THE SERVICE PLAYERS

Each of the Services approaches the PPBE process somewhat differently. In each approach, however, the timely flow of information from the program office to decision makers in the Pentagon throughout all phases of the PPBE process is essential to the success or failure of a program. As discussed below, each Service has a personnel structure established to provide this link between the user, the program office, and the decision-makers.

Air Force - The Program Element Monitor (PEM) is a key player on the Air Staff and within the Office of Assistant Secretary of the Air Force (Acquisition). Each USAF PE is assigned to a PEM who is the conduit between the using commands, Materiel Command, and the Air Staff, while also serving as the spokesperson for the program. His/her duty is to coordinate functional concerns across the Air Staff for all phases of PPBE. A PEM may be responsible for more than one PE.

Navy - The Requirements Officer (RO) is usually the Deputy Chief of Naval Operations (OPNAV) Resources, Requirements and Assessments (N-8) staff officer within a mission- oriented resource sponsorship (e.g., subsurface, surface, air, etc.). The RO is responsible for the link between the using commands, systems/developing commands, and OPNAV/SECNAV. He/she prepares and justifies a Navy position on resource allocation within an assigned group of tasks broken out by Joint Mission Area or Support Area. The RO is active in all phases of PPBE.

Army - The Army PPBE personnel structure is more decentralized than the other Services. The Army has a Management Decision Package (MDEP) POC and a Department of the Army Systems Coordinator (DASC) responsible for many of the PPBE functions described above. Other key players include the user representative or system integrator (SI), the Program Evaluation Group (PEG), and the responsible PEG coordinator that ultimately must approve all MDEPs/programs in the POM. The POC for the Assistant Secretary of the Army, Financial Management and Comptroller (ASA (FMC)), is a critical player working with the program manager during the budgeting and execution portion of the cycle.

SUMMARY

DoD uses the Planning, Programming, Budgeting, and Execution (PPBE) process to determine priorities and allocate resources. In the Planning Phase, the capabilities required to counter and defeat threats to national security are established and the forces needed to provide those capabilities are identified. In the Programming Phase, these force requirements are prioritized and resources allocated to best meet the needs within fiscal, manpower, and force structure constraints. In the Budgeting Phase, the components and OSD scrub all programs to ensure the most efficient use of scarce budget authority. Finally, in the Execution Review, program output is assessed against planned performance to determine the best return on investment. The Programming, Budgeting, and Execution Reviews take place concurrently. However, the PPBE process continues to evolve as of the date of this Teaching Note.